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C O N F I D E N T I A L TAIPEI 001514

SIPDIS

STATE PASS AIT/W

E.O. 12958: DECL: 02/01/2015

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SUBJECT: SPECIAL DEFENSE BUDGET REMAINS STUCK IN PROCEDURE COMMITTEE

REF: TAIPEI 1201

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

1. (C) Summary: The KMT and People First Party (PFP) rejected the government's request to place the special defense procurement budget on the Legislative Yuan (LY) calendar during a March 29 meeting of the Procedure Committee. This was the second week in a row that the committee refused to place the special budget package on the legislative agenda. Legislators from both camps have cautioned AIT not to interpret Pan-Blue posturing on the budget early in the session as an indication that the LY will not eventually act on the three special budget programs.

2 (C) Nevertheless, PFP Policy Chief Vincent Chang told AIT on March 24 that party Chairman James Soong has been unable to convince the independent-minded PFP Caucus leadership to drop objections to using a special budget to fund the three procurement items (Reftel). Chang said the Chen administration will have to make major concessions, perhaps involving the submarines, in order to provide Soong enough cover to bring his party around.

3. (C) Democratic Progressive Party (DPP) Defense Committee Co-chairman Lee Wen-chung told AIT that the government is willing to compromise on almost any aspect of the budget package except calls by some Pan-Blue legislators to eliminate one or more of the three special budget programs. Lee said the DPP is even willing to consider meeting the KMT's demand to cut the special budget price tag to 305 billion NTD (USD 10 billion) on the condition that the LY simultaneously pass a resolution dictating an increase in the regular annual procurement budget to fully cover out-year costs for the three programs.  
PAAL